

**ASSISTANCE IN MUNICIPAL  
FINANCE REFORM FOR  
ALBANIA**

**SUMMARY OF PROCEEDINGS  
AND CONCLUSIONS ON  
WORKSHOP NO. 1:  
LOCAL GOVERNMENT  
RESPONSIBILITIES AND  
EXPENDITURES**

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## **EXECUTIVE SUMMARY**

This document describes the proceedings of the Workshop on Local Government Responsibilities and Expenditures, held on April 17-18, 1998 at the Palace of Congresses in Tirana, Albania. Over eighty Albanians attended the workshop, representing a number of central government ministries, parliamentarians, local government officials, and independent experts.

The main objective of the workshop was to enrich the dialog on local government reform in Albania by:

- ! Looking at key questions to be answered regarding the structure, responsibilities and authorities of local governments;
- ! Explaining some of the general concepts underlying those questions that are common to any dialog on local government reform;
- ! Describing the guiding principles on local autonomy embodied in the Charter for Local Self Government of the Council of Europe; and
- ! Providing examples of how other countries, primarily in Europe, have addressed the key questions and applied the principles on local autonomy.

Breakout discussion groups were organized to discuss the workshop themes and presentations in more detail. A detailed description of workshop conclusions can be found at the end of this report. In general, the strength of consensus on needed decentralization reforms was a striking outcome of the breakout discussions. All three groups concluded that local governments in Albania need a more supportive framework and more fiscal and management autonomy in order to effectively govern. This must involve strong central government support for these reforms in addition to an increased capacity at the local level to take on additional functions.

The three groups agreed that determining exactly which are the exclusive (own) and delegated tasks of local governments, along with the proper responsibilities and authorities in terms of expenditures, property and asset ownership and management, personnel management, supervision, etc., are the immediate steps that need to be taken in Albania to initiate true decentralization.

## **ASSISTANCE IN MUNICIPAL FINANCE REFORM FOR ALBANIA**

### **SUMMARY OF PROCEEDINGS AND CONCLUSIONS ON WORKSHOP NO. 1: LOCAL GOVERNMENT RESPONSIBILITIES AND EXPENDITURES**

#### **INTRODUCTION**

In late 1997, USAID approved a strategy to promote the decentralization of municipal finance and governmental responsibilities in Albania. The program began with a thorough analysis of the current framework for municipal finance and governance based on financial and legal information obtained and interviews conducted with representatives from the central government, local governments, and international donor institutions in Albania. One of the findings of the resulting report prepared in January 1998 was that despite the apparent desire to decentralize, there does not exist among policy-makers or local government leaders a common perspective of the current status or future direction of decentralization efforts. Nor does there exist a consensus regarding the implications of real reforms aimed at granting significant authorities to local governments.

The *Opportunities and Issues for Municipal Reform* analysis recommended, as the next step to strengthen the decentralization process, to hold a series of three policy workshops designed to educate and generate discussion among the appropriate Albanian officials regarding the practical constraints on local governments presented by the current intergovernmental finance system, and to gain a common perspective on the reforms needed to address those constraints.

The principal audience for all three workshops will be representatives from the inter-ministerial task force responsible for revising, drafting and implementing local government reform legislation. The key representatives responsible for drafting the critical laws are the State Secretariat of Local Government<sup>1</sup> and the Ministry of Finance. Other representatives to be invited include the finance directors from the line ministries that approve substantial funds for local government operating expenditures and investments, such as the Ministry of Public Works and Transportation, Ministry of Education, Ministry of Labor and Social Affairs, and Ministry of Interior. Local governments, represented by mayors or deputy mayors, the Albanian Association of Mayors, as well as by district councils, will be invited as participants to all three policy workshops, in particular because they are not formally involved in the current reform process. Key members of the parliamentary commission on local government and constitutional commission will also be invited.

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<sup>1</sup>The recent government reshuffle has resulted in the formation of a new Ministry for Local Government Reform, which is the successor to the State Secretariat for Local Government.

## SUMMARY OF PROCEEDINGS

### *Opening Session*

The workshop was opened by USAID Mission Director Dianne Blane, who introduced U.S. Ambassador to Albania Marisa Lino. Ambassador Lino spoke of the importance of exercising democratic rights and the duties and responsibilities of citizens to participate in the governance of Albania. Improving the status of local government is a top priority for the U.S. Government and the Ambassador wished the workshop participants a successful and fruitful discussion.

Taulant Dedja, General Director of the State Secretariat for Local Government opened the proceedings on the part of the Albanian government. Mr. Dedja described the government's strategy for developing a broad consensus on decentralization, including a public awareness campaign which involves a number of public workshops and conferences, including this one. Mr. Dedja recognized the long-term process of decentralization, stating that as an interim measure the government has prepared a number of reforms in cooperation with other political parties, NGOs, and local governments aimed at alleviating some financial constraints on local governments. The reforms include increased local government revenues from property taxes and administrative fines, clarification of local government competencies, greater flexibility in the use of local budgets, and the ability for local governments to earn rental income on land located within their boundaries.

Mr. Dedja stated that the government had made the decision to sign the European Charter on Local Self-Government, and mentioned the importance of USAID technical assistance to help Albania meet those requirements. Both local government and central government should cooperate together on this task, forming a consensus on next steps, Mr. Dedja said.

Albert Brojka, representing the Albanian Association of Mayors, and as Mayor of Tirana, articulated the need to make known the difficulties and obstacles local governments are facing, citing the USAID analysis as a great help in this regard. Mr. Brojka described the difficult task ahead to improve local government management capacity and autonomy in the absence of a strong legal framework as in Western countries. He outlined the major tasks as enhancing decentralization and defining a concrete program of reform by working in collaboration with the central government.



### ***Session 1: Basic Concepts and Structure of Local Expenditures***

Francis Conway delivered the opening presentation by discussing the purpose and framework of the workshop. He urged the participants to utilize the workshop forum to aid in the local government reform process.

Mr. Conway's presentation focussed on the three key questions local government reformers need to ask: what services local governments provide; how they provide those services; and who decides on the quality and quantity of services to be provided—in other words, defining the relationship between the local and national levels of government, and between local and national policies and priorities. In deciding what services local governments provide, it was suggested to look at which services are closest to the level of government benefitting from the service. Sometimes this distinction can be difficult, for example with a water system or health and education systems, which serve different levels of government.

Mr. Conway also spoke about the concept of decentralization vs. the concept of deconcentration, dealing with the distinction between delegated functions carried out on behalf of the national government, and own functions which are the sole responsibility of the local government. The final set of issues discussed involved who really decides on the quantity and quality of local services, introducing the ideas of performance standards, sectoral investment plans, and financing options. In conclusion, Conway emphasized that there is no “best model” for the provision of local services but rather many alternatives with different implications from which Albanian decision-makers must choose.

### ***Session 2: Principles of the European Charter for Local Self-Government I - Assignment of Functions and Responsibilities***

Juliana Pigey spoke on the principles of the European Charter for Local Self-Government (EC) and their application to the assignment of functions and responsibilities of local governments. She began by addressing four main issues: defining local authority; the assignment of responsibilities; the basis for those responsibilities; and responsibilities among different tiers of government.

Ms. Pigey then compared examples from other CEE and Western European countries which have decentralized powers to the local level to the relevant EC articles dealing with assignment of responsibilities. The important point illustrated was that local governments should be allowed to determine the level and manner of service provision based on the local context; this may involve direct service provision by the municipality, independent municipal enterprises, or association of local government grouped together to carry out a particular function.



Ms. Pigey then presented the basis for defining the responsibilities and competencies of local governments. These should be defined in legislation which grants basic powers to local government in areas such as the preparation and approval of local budgets, ability to contract loans or debt, and the determination of the appropriate form of service provision. Also addressed were the responsibilities among different tiers of government, including the EC principle that public responsibilities should be exercised by those closest to the citizen. For example, in many countries different levels of government control different levels of the same function, such as with education or road networks.

Edi Joxhe of the Urban Institute's Albania Program spoke after Ms. Pigey to address the local Albanian context with respect to the assignment of local government functions. Mr. Joxhe stated at the outset that the existing local government framework in Albania is not the main problem; the trouble is that the legislation does not give enough detailed guidance in order to be properly implemented. Local governments are responsible for local taxes, public order, local transport, urban planning, and other tasks, but there is no clear definition or detailed description of those tasks. Mr. Joxhe also recommended that the process of decentralization be tied in to the activities of the Constitutional Commission, which is now drafting a new constitution for Albania, so that basic local governments powers are clearly enshrined in law.

### ***Session 3: Principles of the European Charter for Local Self-Government - Implementation of Functions and Responsibilities***

Juliana Pigey delivered the second of two presentations focusing on the European Charter for Local Self-Government. The second presentation addressed the implementation of local government functions and responsibilities as contained in the EC, addressing the three main issues of discretion, supervision, and cooperation. Pigey defined discretion as the autonomy to manage and modify local responsibilities based on local circumstances and administrative capacity. Supervision of local authorities, as described in the EC, should be well defined and have the basic objective of ensuring compliance with the law, not to limit local autonomy. Pigey illustrated this point with an example from Poland, where supervision of local government own (or exclusive) tasks is based clearly on legally established criteria, and supervision of delegated tasks is to be based on purposefulness, integrity, and efficiency.

Cooperation among local governments is an important EC principle and can be useful in many cases, such as the more efficient provision of local services, balanced development of a city and its suburbs, or promotion of regional attractions. Ms. Pigey provided several examples of cooperation from France, Sweden, and Poland, including the creation of local or regional federations or unions with taxing powers capable of carrying out broad tasks like economic development, to an association of towns in Poland which pooled together to manage and invest in the provision of solid waste services.



Edlir Vokopola of the Urban Institute's Albania Program spoke next about the implementation realities local governments face in Albania. He compared the defined competencies of local governments in Albania and Poland (a signatory of the EC), and emphasized their similarities on paper and differences in practice. Vokopola gave several examples of the difference between the legal framework and its implementation, including the ability to set and collect local taxes and fees, and also mentioned the difficulty interpreting the legal framework in practice, for example the definition and implication of the term "to provide" a service.

#### ***Session 4A: The Experience of the Czech Republic***

ZdeÁka Matoušková from Urban Research Institute in Prague, Czech Republic delivered a presentation on local government functions and responsibilities in the Czech Republic. Municipal responsibilities in the Czech Republic are laid out in the legal framework by a 1990 law which defines own and delegated responsibilities for local government. Own responsibilities as described by Ms. Matoušková include municipal development, property management, budget development and management, election of local bodies, founding of legal entities, participation in business activities or associations of municipalities, and issuance of legally binding regulations over matters falling within the category of own or exclusive tasks. Local services mandated to local governments in the Czech republic include certain education, social care, health care and cultural services, maintaining public order through a municipal police force, solid waste, water and wastewater services, and economic, social and cultural development, as well as environmental protection.

Ms. Matoušková differentiated those tasks from delegated responsibilities carried out by local governments on behalf of the central government. These tasks include maintaining a registry of birth, marriages, and death, as well as for real property; issuing construction permits; distribution of state social subsidies; granting of business licenses; and certification of official documents. However, Ms. Matoušková pointed out, it is important to note that not all Czech municipalities perform all of these responsibilities due to differing levels of administrative and professional capacity, and also depending on priorities set by the locally elected municipal assembly. For example, less than 5 percent of municipalities manage state social subsidies; the state disburses them directly in the remaining jurisdictions.

Local service delivery is organized in a number of different ways in the Czech Republic, Ms. Matoušková stated, including through budgetary organizations funded directly by the local budget; contributory organizations, which are quasi-independent from the local government; enterprises wholly or partially owned by the municipality; private organizations; or through voluntary organizations such as an association of municipalities. The important point, she noted, is that there is no one model which works best.

### ***Session 4B: The Experience of Hungary***

The presentation describing the Hungarian experience with the reform of local government functions and responsibilities was presented by József Hegedüs from Metropolitan Research Institute in Budapest, Hungary. Mr. Hegedüs provided a brief description of the administrative structure of local government in Hungary, including municipal governments, counties, and central government. Not unlike Albania, Hungary's 1990 on local government provided a vague description of mandatory and optional tasks. Mandatory tasks included services such as water and wastewater, primary education, basic health and social services, public lighting and road maintenance, and the guarantee of ethnic minority rights. Some of the optional tasks included housing, garbage collection, urban planning, sport facilities, etc.

Definition of local government functions and responsibilities has been further refined in much more detail since then, according to Mr. Hegedüs, through the passage of a number of laws dealing with local government budgets, bankruptcy, housing, social allowances, etc. In addition, local governments enjoy the right to their own bank accounts, ownership of property, levy taxes and set their own levels (except energy prices), and to take loans as a source of income. However, there still exist substantial negotiations and conflicts between central and local levels regarding the definition of tasks and levels of funding required to carry them out.

Local services are financed in a number of ways, Mr. Hegedüs stated, including user charges and fees, central transfers, and local taxes. User fees are regulated by the type of service they finance, so that no user fees are permitted for "public goods" while at the other extreme, user charges are unconstrained on things like municipally-owned office property, local markets, etc. The organization and delivery of local services, similar to the Czech Republic, can be done directly by local government departments, which are often resistant to restructuring and privy to maximizing their budget resources, or through the services of a joint-stock company which may be partially or fully owned by the local government, or fully private. Non-profit organizations also play a role in the delivery some services, such as with education or social services.

Mr. Hegedüs concluded with a discussion on cooperation among local governments. Existing constraints on cooperation in Hungary include the possibility of division of local governments, the distinction between counties and cities with county authorities, conflicts between cities and neighboring towns or villages, and the special problems relating to the capital city with its 22 district governments and municipal government. These constraints have been addressed through the development of financial incentives such as investment grants which promote cooperation, the organization of entities like Regional Development Councils, a law which promotes new forms of



municipal cooperation and association, and finally sectoral laws which force certain local governments to provide some mandatory services.

### **Session 5: Commentary on the Case Studies**

A response to the Czech and Hungarian presentations was presented by Mr. Zyher Beci from the State Secretariat of Local Government. Mr. Beci restated the need to clarify the problems and constraints local governments face in Albania, citing the *Issues and Options for Municipal Reform* report as an excellent starting point. He agreed that the experience of other countries facing similar reforms is indispensable, and mentioned in particular the need for local governments in Albania to possess the right to own property and have clearly defined tasks. The recent passage of law 208/1998 was cited as a first step in this regard.

A series of brief recommended reforms were presented by Mr. Beci, including:

- ! Amendment and clarification of 1993 law governing the conditional budget;
- ! Better training for local government employees;
- ! Better communication between elected officials and the public;
- ! Need for local governments to be able to hire employees to carry out own tasks;
- ! More technical cooperation between line ministries and local governments regarding the management of services;
- ! Need for local governments to contract for services at their discretion without excessive central government control;
- ! Improved tax collection; and
- ! Larger local government role in investment planning.

Mayor Engjell Dakli from the municipality of Elbasan spoke next on his reactions to the Czech and Hungarian presentations. Mr. Dakli suggested the idea of sister city relationships with other CEE local governments with decentralization experience. He then presented a number of graphs and charts analyzing the fiscal performance of the municipality of Elbasan, demonstrating what innovative local governments can achieve despite the constraining environment in which they operate.





### **Session 6: Results of the Conference on Local Government Reform**

In February 1998 the Conference on Local Government Reform was organized by the Institute for Contemporary Studies (ISB), under the auspices of USAID and International Republican Institute. President Genc Ruli from ISB summarized the discussion and results of that conference for the workshop attendees. The main conclusions from the previous conference, attended by members of central and local governments, NGOs, and academia, were as follows:

- ! Problems exist in the legal framework for local government in Albania, but the real problems lie in the implementation (or lack thereof) of the framework;
- ! There is a lack of cooperation among local governments due to lack of local capacity;
- ! There is a lack of a long-term strategy to implement local reforms: strategies to address this include enshrining the basic principles of self-government in the constitution, and the signature of the European Charter for Local Self-Government;
- ! The district level of government should be preserved and further strengthened through a process of consolidation;
- ! Better definition of the role of the prefect level of government is needed;
- ! A legal framework for the ownership of property by local governments is needed;
- ! The State Secretariat for Local Government should be raised to the level of a Ministry;
- ! Local services are not local without the fiscal autonomy to provide them locally;
- ! Central government fiscal transfers are too specific - local governments know better how to efficiently utilize resources;
- ! The independent budget should be strengthened through the greater local autonomy over local taxes;
- ! Local governments should enjoy the right to exploit natural resources, within certain limits;

- ! The level of local fees should not be defined uniformly, but rather minimum and maximum levels should be established;
- ! There should be coordination of regional development plans;
- ! It is premature to discuss the use of credit as a local government tool - no real property collateral exists; and
- ! A national program is needed to implement these reforms in collaboration with public institutions, including members of the GOA, opposition parties, local officials, NGOs, businesses, universities, etc.

### ***Session 7: Breakout Group Discussions***

Participants were divided into three groups in order to provide a forum for more detailed discussions about the workshop presentations and proposed reforms. All three groups had the task of analyzing and evaluating the manner in which (a) the functions and responsibilities of local governments are assigned; (b) local governments organize the delivery of services; and (c) other levels of government exercise control over the implementation of the functions and responsibilities of local governments. The groups were also asked to identify specific legal and regulatory reforms that could serve to expand local autonomy in these areas.

The three breakout group moderators were Mr. Artan Hoxha, Executive Director of the Institute for Contemporary Studies; Mr. Ledi Bianki, Professor of Law, Tirana University; and Mr. Fatbardh Kadilli, Coordination Director at the State Secretariat for Local Government. Each moderator presented to the plenary group a summary of recommendations and conclusions from the breakout group discussions.

In general, the strength of consensus on needed decentralization reforms was a striking outcome of the breakout discussions. All three groups concluded that local governments in Albania need a more supportive framework and more fiscal and management autonomy in order to effectively govern. This must involve strong central government support for these reforms in addition to an increased capacity at the local level to take on additional functions. In this respect, the main objective of the workshop - to create a common consensus and understanding of the constraints and needed reforms - appears to have been fulfilled.

The three groups agreed that determining exactly which are the exclusive (own) and delegated tasks of local governments, along with the proper responsibilities and authorities in terms of expenditures, property and asset ownership and management,



personnel management, supervision, etc., are the immediate steps that need to be taken in Albania.



The main recommendations of the three breakout groups can be summarized as follows:

**Exclusive functions.** These are functions for which local governments are solely responsible for providing, as proscribed by law.

- ! Local governments should have the competencies to determine the size, quantity and quality, and the tariff/fee levels for these services. They should have ownership of facilities, such as water networks, when they are responsible for providing that service. Also, local governments should have full administrative and management authorities over the human resources and organizational structures needed to provide these services.
- ! Local governments have full financial control over these functions, while the central government should be primarily responsible for controlling the conformity of the tasks with existing laws and regulations.
- ! Consensus in the three groups was reached regarding the following functions or responsibilities to be designated as “exclusive”:
  - Urban development planning;
  - Some basic services such as water supply and possibly electricity;
  - Urban and interurban roads maintenance;
  - Services for maintaining the elementary and secondary schools;
  - Solid waste collection and disposal services; and
  - Local police/public order.
- ! The determination of some local competencies and responsibilities should be decided on the basis of the capacity of different levels of local government. For example, district governments are better suited to manage complex services like water supply, while communes do not have the resources to manage these types of facilities.

**Delegated tasks.** These are functions which are the responsibility of the central government but have been delegated to local governments to carry out on behalf of the state. Some current delegated tasks of local government (e.g., salaries of teachers) are not treated as such because the local government plays only an intermediary role as a paying agent. It is important to define properly these delegated tasks so that the local government can have full competencies in fulfilling their responsibilities. The following recommendations were made:



- ! Local governments should participate in drafting and adapting these delegated functions;
- ! Local governments within a reasonable limit should define expenditure priorities for these tasks;
- ! If the delegated task requires assets and properties to carry them out, the local government should be the one to administer them;
- ! Local governments should have some competencies in determining the human resources needed for these functions; and
- ! Financial control can be the task both of the central and local government.

Some other more general recommendations were also made:

- ! National resources considered as national wealth should be administered by the Central government but local resources should be administered by city councils;
- ! Local governments must have a part of the VAT because these governments must play a role in the economic development of their localities (considering that all the current tasks of local governments are closely linked directly or indirectly with economic development);
- ! In signing the European Charter on Local Self-Government, it is important to include all the items and articles that address the relationship between competencies of the local government and the financial resources given for these competencies;
- ! The central government must legally guarantee the full implementation of competencies and decisions of local governments;
- ! Improvement of mechanisms of intergovernmental transfers and the establishment of their direct relationship with the competencies of local governments needs to be made; and
- ! Improvement of local government management capacity needs to be pursued in conformity with their tasks through the sponsorship of different training programs.

### **Session 8: Closing Session**

The closing session of the Workshop on Local Government Responsibilities and Expenditures was presented by Mr. Taulant Dedja. Mr. Dedja described the workshop as the first joint USAID / State Secretariat for Local Government activity, with the next workshop, slated to address local government revenue and budgeting issues, tentatively scheduled for mid-June 1998.<sup>2</sup>

By the time of the next workshop, Mr. Dedja claimed, a package of laws now being considered by parliament will have been passed, including some important measures aimed at strengthening the independent budget. Some specific legal regulations or decisions expected to pass include:

- ! Law on Municipal Police; 236 million Leks are being set aside for the implementation of this law (which has already been passed), hopefully to be implemented in the second half of 1998;
- ! Law on municipal property; this law is hoped to address the issues related to local government ownership of property;
- ! Law on local referendums; and
- ! Law on the registration of citizens.

Mr. Dedja reemphasized the importance of public participation in the reform process, and the important role of NGOs in the ongoing dialogue, as well as their ability to provide training to local government officials.

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<sup>2</sup> Since that time the second workshop has been postponed until early August 1998 due to the conflict with the partial local government elections scheduled for June 21 and 28, 1998.

## **ANNEX A**

### **LOCAL GOVERNMENT SERVICES CONCEPTS AND ISSUES**

## **ANNEX B**

### **PRINCIPLES OF THE EUROPEAN CHARTER ASSIGNMENT OF FUNCTIONS AND RESPONSIBILITIES**

## **ANNEX C**

### **PRINCIPLES OF THE EUROPEAN CHARTER IMPLEMENTATION OF FUNCTIONS AND RESPONSIBILITIES**

## **ANNEX D**

### **LOCAL GOVERNMENT SERVICES IN THE CZECH REPUBLIC**

## **ANNEX E**

### **LOCAL GOVERNMENT SERVICES IN HUNGARY: ISSUES OF TRANSITION**



### Size Structure of Czech Municipalities

Population Size of Municipality	Number of Municipalities		Population (thousands)	
	Total	Percent	Total	Cumulative Percent
Less than 500	3,745	60.0	869.8	8.4
500-1,999	1,873	30.0	1,745.8	25.3
2,000-4,999	349	5.6	1,060.6	35.6
5,000-9,999	134	2.2	935.2	44.6
10,000-19,999	66	1.1	932.4	53.7
20,000-49,999	44	0.7	1,213.4	65.4
50,000-99,999	16	0.3	1,167.6	76.7
Over 100,000	7	0.1	2,408.4	100.0
Total	6,234	100.0	10,333.2	100.0

Source: Small Lexicon of CR Municipalities, 1997

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# Local Government Services

## Concepts and Issues

*Francis J. Conway*  
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*Washington, DC*

# Main Points

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- ◆ *What?:*

- Services local governments provide

- ◆ *How?:*

- They provide them

# Main Points

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- ◆ *What?:*

- Assigning local service and investment responsibilities

- ◆ *How?:*

- Organizing the delivery of local services

- ◆ *How?:*

- Role of the national government

# Assigning Local Service Responsibilities

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- ◆ Basic Economic Criteria
  - Assign service responsibilities to the level of government that is most closely associated with the area that benefits from the service
- ◆ Garbage Collection vs. National Defense
- ◆ Few Services Fit Exactly
  - Unclear service area
  - Indirect costs and benefits to others
  - Equal access by all

# Other Issues

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- ◆ Decentralization vs. Deconcentration
- ◆ “Own” or voluntary competencies vs. delegated or mandated responsibilities
- ◆ Common to all local governments or unique to some
- ◆ Public expenditure management

# Organizing the Delivery of Local Services

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- ◆ Direct
  - Own staff (“budgetary” organizations)
  - Municipal enterprises
- ◆ In cooperation with other local governments
- ◆ Indirect
  - Contracting out
  - Full privatization
  - Through other local governments

# Impact of National Policy and Goals

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- ◆ National standards
  - Quality
  - Performance
- ◆ Coordination
  - Investment plans
  - Regional plans



# Other Issues

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- ◆ Administration

- Personnel - Hiring and Firing
- Financial Management - Accounting

- ◆ Funding

- Specific Purpose Grants
- Matching Grants

# Summary

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- ◆ Address all aspects of the problem
  - What services?
  - How are they to be provided?
  - What role for the national government?
- ◆ Explore alternative solutions
- ◆ Let your own experience be your guide



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# **Principles of the European Charter**

## **Assignment of Functions and Responsibilities**

*Juliana H. Pigey*  
*The Urban Institute*  
*Washington, DC*

# Main Issues

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- ◆ ***What?:***

- is local authority?

- ◆ ***How?:***

- are responsibilities assigned?

- ◆ ***What?:***

- is the basis of responsibilities?

- ◆ ***What?:***

- is the responsibilities among different tiers?

# Local Authority (1)

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## Principles

- ◆ Local Governments [LG] have local authority to manage public affairs under their responsibility
- ◆ They are not merely agents for the State

## Implication

- ◆ For own local tasks, LG may choose the manner to best meet citizens needs in their local context

# Local Authority (2)

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## Example:

- ◆ Solid waste collection and treatment
  - Determine level of service
  - Choose manner of providing service
- ◆ Paris - own municipal service and daily pickup
- ◆ Pulawy, Poland - municipal solid waste enterprise
- ◆ Kutno, Poland - Association of 15 LG for service and investment in treatment facilities

# Assignment of Responsibilities

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- ◆ Poland :
  - Local Government Act of 1990, amended
- ◆ Sweden :
  - Local Government Act of 1991
- ◆ France :
  - Collection of laws, decrees and regulations in the “Code Général des Collectivités Territoriales”



# Basis of Responsibilities

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## Powers of Local Government

- ◆ Prepare and approve local budgets and financial accounts
- ◆ Contract loans /debts
- ◆ Determine forms of service provision

# Basis of Responsibilities (Continued)

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## Tasks of Local Government

- ◆ Local roads, streets, bridges...
- ◆ Water systems and supply, sewer systems, wastewater...
- ◆ Local urban transportation...
- ◆ Culture, including municipal libraries and other centers...

# Responsibilities Among Different Tiers (1)

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## Principle

- ◆ Public responsibilities should be exercised by those closest to the citizen
- ◆ Transfers of responsibility among different tiers should take account of efficiency and economy

# Responsibilities Among Different Tiers (2)

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## Examples:

### France

#### Communes

Primary

School

Town roads

#### Counties

Middle

School

County roads

investment grants

to towns

#### Regions

High

School



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# **Principles of the European Charter Implementation of Functions and Responsibilities**

*Juliana H. Pigey  
The Urban Institute  
Washington, DC*

# Main Issues

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- ◆ Discretion
- ◆ Supervision
- ◆ Cooperation

# Discretion

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## Principles:

### ◆ For Own Tasks

- Local governments should have the discretion to determine the manner and organization for providing its own local tasks

### ◆ For Delegated Tasks

- Local governments should be able to adapt the provision of delegated tasks to the realities of the local conditions and possibilities



# Supervision (1)

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## Principles:

- ◆ Procedures for supervision should be defined
- ◆ The aim is to ensure compliance with the law
- ◆ Supervisory activities should be in proportion to the interests to be protected

# Supervision (2)

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## Example - Poland

*In Local Government Act of 1990:*

- ◆ Supervision of own tasks is based on legal criteria
- ◆ Supervision of delegated tasks is to be based on purposefulness, integrity, and efficiency

# Cooperation (1)

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## Principles:

- ◆ Cooperation among local governments may be useful in many cases, such as:
  - To provide local services in a more efficient manner;
  - To ensure the balanced development of a city and its suburbs; and
  - To nurture and promote common tourist or natural attractions.

# Cooperation (1) *(Continued)*

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## Principles:

- ◆ Cooperation among local governments may:
  - Be instituted for one or more services
  - Be financed with transfers from members or from specific taxing or tariff structures

# Cooperation (2)

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## Examples of Cooperation:

### France

- ◆ Union (Syndicate) for single purpose (solid waste) or multi-purpose (economic development, tourism)
  - Tariffs and revenues from the particular service will finance investment /operation and additional subsidies may be provided by members
  - Urban Community (UC) for balanced city/suburb development (such as Urban Community of Lyon) taxing power for taxes that are transferred to the UC

# Cooperation (3)

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## Examples of Cooperation:

### Sweden

- ◆ May create local or regional federations, with the status of public authorities
- ◆ May jointly transfer management of a local task to:
  - limited company
  - incorporated association
  - foundation
  - non-profit association

# Cooperation (3) *(Continued)*

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## Examples of Cooperation:

### **Poland**

- ◆ Association of towns in Kutno for solid waste management and investment





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# Local Government Services in the Czech Republic

*Zdena Matouskova*  
*Urban Research*  
*Prague*

# Districts

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# Size Structure of Czech Municipalities

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Population Size of Municipality	Number of Municipalities		Population (thousands)	
	Total	Percent	Total	Cumulative Percent
Less than 500	3,745	60.0	869.8	8.4
500-1,999	1,873	30.0	1,745.8	25.3
2,000-4,999	349	5.6	1,060.6	35.6
5,000-9,999	134	2.2	935.2	44.6
10,000-19,999	66	1.1	932.4	53.7
20,000-49,999	44	0.7	1,213.4	65.4
50,000-99,999	16	0.3	1,167.6	76.7
Over 100,000	7	0.1	2,408.4	100.0
Total	6,234	100.0	10,333.2	100.0

Source: Small Lexicon of CR Municipalities, 1997

# Territorial Structure of CR

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## ◆ Present situation

- 2 administrative tiers: districts (77)  
municipalities (6,234)
- 1 self-administrative tier: municipalities (6,234)

## ◆ Changes in 2000

- 2 administrative tiers
- 2 self-administrative tiers

# Municipalities

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- ◆ Basic territorial self-administrative entity
- ◆ Public and legal entity
- ◆ Has its own property
- ◆ Manages its own budget

# Municipal Responsibilities

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- ◆ Law of Municipalities 367/1990
  - own responsibilities (self-administration)
  - delegated responsibilities (state administration)

# Municipal Own Responsibilities

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- ◆ Approving the development program and supervising its performance
- ◆ Managing its property
- ◆ Developing, managing and balancing its own budget
- ◆ Electing and establishing municipal bodies
- ◆ Founding legal entities

# **Municipal Own Responsibilities** *(Continued)*

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- ◆ Deciding on participation in business companies or foundation membership of voluntary association of municipalities
- ◆ Issuing municipal binding notices over matters falling within own responsibilities
- ◆ Provision of certain services within the areas of education, social care, health care and culture
- ◆ Maintaining public order through a municipal police force



# Municipal Own Responsibilities

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- ◆ Cleanliness of the municipality, collection of communal waste and its proper disposal, water supply, sewerage and waste water treatment
- ◆ Economic, social and cultural development, protecting and improving the environment

# Municipal Transferred Responsibilities

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- ◆ Register of birth, marriages and death
- ◆ Building authority-construction permits
- ◆ Distribution of the state social subsidies
- ◆ Approving business licenses
- ◆ Certification of official documents

# Czech Municipal Responsibilities

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**Not all Czech municipalities can perform all responsibilities by themselves because of economic and professional reasons**

◆ Number of municipalities	6,234
◆ Register of births, ...	1,224
◆ Building authority	760
◆ State social subsidies	378
◆ Mandated municipalities	383

# Volume of Local Services

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Service depends on:

- ◆ Size of municipality - the smaller municipality, the less services
- ◆ Political decisions of the municipal assembly - prioritization

# Service Delivery

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- ◆ Budgetary Organizations
- ◆ Contributory Organizations
- ◆ Organizations fully owned by Municipality
- ◆ Organizations partially owned by Municipality
- ◆ Private Organizations
- ◆ Voluntary Association of Municipalities

# Shared Responsibilities of Central and Local Governments

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- ◆ Socially “sensitive” services
  - Education
  - Health care
  - Social care
- ◆ State subsidies

# Law on Public Procurements

*(No.199/1994 Coll., Ammend. No. 148/1996 Coll.)*

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- ◆ The rules differ according to the volume of expenditure in Kc:
  - Real estate or the set of machines
    - 100,000 - 2,500,000
    - 2,500,000 - 20,000,000
    - more than 20,000,000
  - Other purchases
    - 100,000 - 500,000
    - 500,000 - 5,000,000
    - more than 5,000,000





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# Local Government Services in Hungary: Issues of Transition

*József Hegedüs*

*Metropolitan Research Institute*

*Budapest*

# Administrative Structure

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## ◆ Local services

- municipal governments (23 districts, 22 cities with country rights, 196 cities, 2931 villages)
- county councils and the capital city (20)

## ◆ Regional development

- 19 county development councils
- 7 regional development councils

## ◆ Central government

- 36 deconcentrated organisations
- 8 commissioners

# Task of the Local Government

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- ◆ LG Law of 1990: vague definition of mandatory and optional tasks:
  - **mandatory**
    - » water, primary education, basic health and social services, public lighting and maintenance of public roads and public cemeteries, and guarantees the rights of national and ethnic minorities
  - **optional**
    - » housing, garbage collection, urban planning, providing sport facilities, etc...

# Modifications of LG Tasks

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## Examples:

- ◆ Budget Law
  - yearly definitions of normative grants
- ◆ Bankruptcy Law
  - 28 tasks financed in the case of bankruptcy
- ◆ Housing Law
  - mandatory tasks (hostels for homelessness, etc.)

# Modifications of LG Tasks (Continued)

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## Examples:

- ◆ Social Law
  - housing allowances
- ◆ Law on Youth Protection
  - defines new mandatory services
- ◆ Fire Protection
  - LG is forced to take over

# Local Government Revenues

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	1991	1996
Own operating revenues	17 %	21 %
Shared tax	12 %	11 %
Own capital revenue	4 %	10 %
State transfer	48 %	34 %
Social Security Fund	17 %	19 %
<i>Loan</i>	1 %	4 %
<i>Other</i>	1 %	1 %
Total other	2 %	5 %
Total	100 %	100 %

# Local Government Expenditures

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◆ to be provided

# How it is Financed ? 1.

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## ◆ User charges

- No user charge (public goods)
- Small limited user charge (education, social care centers, sport and recreation, etc.)
- Medium level user charge (water and sewage, etc.)
- Full user charge (office space, fee for market, etc.)



# How it is Financed ? 2.

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- ◆ Central transfers
  - Normative -- formula based
  - Normative -- capacity
  - Targeted grants
- ◆ Local taxes and revenues

# How is it Organized? 1.

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- ◆ Local Government Institutions
  - Resistance to restructuring
  - Wide responsibility: “budget games”
  - Normative and factors influencing real cost

# How it is Organized? 2.

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- ◆ Contracted out to private firms
  - LG owned company
  - Private company shares owned by LG as well
  - Pure private company
- ◆ Non-profit organization (education, social services)

# Issue of Regulation

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- ◆ Defining the user fee charges: equity, arrears, etc.
- ◆ Compulsory services (garbage collection, etc.)
- ◆ Investments, grants regulation and taxation

# Constraints on Cooperation

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- ◆ Splits of local governments
- ◆ Counties and county cities
- ◆ Conflicts of city and neighborhood towns
- ◆ Capital, district, and agglomeration

# Towards Cooperation Providing Services

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- ◆ Financial incentives (investment grants)
- ◆ Organizational incentives (Regional Development Councils)
- ◆ Law on associations -- promoting new forms of associations
- ◆ Sectoral laws assigning certain LGs to provide mandatory services